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PSYCHOLOGICAL STRATEGY BOARD
WASHINGTON, D. C.

January 14, 1953

ARMY Declass/Release Instructions On File

MEMORANDUM FOR: THE HONORABLE DAVID BRUCE
UNDER SECRETARY OF STATE

SUBJECT: First Progress Report on PSB D-28 - "Psychological Strategy Plan for Economic Security Vis-a-vis the Soviet Orbit"

Attached herewith and submitted in connection with Item 9 of the Agenda is the First Progress Report of the PSB Planning Panel on PSB D-28.

The terms of reference for this plan were approved by the Board June 24, 1952.

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[REDACTED]
Director

Enclosure:

Progress Report
on PSB D-28

Similar memos. sent to:

The Hon. William C. Foster
Deputy Secretary of Defense

General Walter B. Smith
Director of CIA

Brig. Gen. Millard C. Young, USAF
Chief, JSPD, Joint Chiefs of Staff

The Hon. W. A. Harriman
Director for Mutual Security

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PSYCHOLOGICAL STRATEGY BOARD
WASHINGTON, D. C.

PROGRESS REPORT ON PSB D-28 - PSYCHOLOGICAL STRATEGY
PLAN FOR ECONOMIC SECURITY VIS-A-VIS THE SOVIET ORBIT

1. The Board approved the terms of reference for this plan 24 June, 1952.
2. The two analyses called for in the terms of reference were completed by the Office of Intelligence Research, Department of State. These were:
 - (a) The factors which create resistance to U.S. economic security objectives vis-a-vis the Soviet Orbit.
 - (b) The extent of Soviet economic exploitation of the captive countries and the vulnerability created thereby.

These analyses have been given wide circulation and were made available to the Voice of America and Radio Free Europe.

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3. [REDACTED]

a consultant to the Director of PSB, sounded out the views of public opinion leaders and businessmen in the U.K., Belgium, France, Switzerland and Germany with respect to the psychological aspects of current East-West trade policies. His findings were circulated without comment to interested U.S. officials.

4. At the fourth meeting of the planning panel it was agreed that no effective psychological strategy could be developed until Mr. Harriman's Economic Defense Advisory Committee reached a policy decision on the question of what the U.S. could tell foreign governments regarding our position on non-strategic trade with the Orbit.

5. These matters were discussed at the U.S. Economic Defense Officers meeting held in Paris in November. Subsequently it has become

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agreed policy that U.S. trade control objectives can best be realized by indirection rather than by a U.S. propaganda campaign, which probably would be regarded by the foreign governments and peoples as unwarranted intervention. It is also agreed that an indirect information program will be most likely to succeed if the U.S. can convincingly demonstrate that it does not oppose the expansion of non-strategic East-West trade and is in the process of reducing U.S. trade barriers. This will be difficult to accomplish since it was also agreed that any statement wherein the U.S. set forth that it would not oppose the expansion of non-strategic East-West trade must at the same time call attention to (a) Soviet political motives in trade; (b) the fact that non-strategic trade should not create dangerous dependency upon Eastern markets or sources of supply; (c) that the Soviet Orbit not be permitted to use trade as a means of extracting strategic goods from the free world.

6. The panel unanimously agrees that the USSR is vulnerable to psychological attack because of its exploitation of the captive economies and its opposition to the expansion of peaceful, non-strategic trade. A PSB staff paper, prepared earlier with this point in mind was discussed, but no agreement has been reached. The staff paper recommends that the Soviet position in captive Europe be attacked by a concerted and highly publicized offer by the Western Governments to export to captive Europe approximately \$400 million worth of consumer goods and other non-strategic items.

The paper develops the argument that since those goods are now available on the open market in Western Europe with no export control, it is clear that, though the people of captive Europe are eager for more consumer goods, since they are not being purchased the USSR is obviously opposed to such trade. A highly publicized offer to expand trade in non-strategic goods, rejected by the USSR as was the Marshall Plan, would be

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calculated to expose the falseness of Soviet propaganda on behalf of peaceful trade, and would provide the West with a weapon for constant attack behind the Iron Curtain the paper concluded.

Questions have been raised regarding a possible negative Congressional reaction, and there is some feeling that this psychological strategy would be very difficult to negotiate with the other Western European Governments since they are still interested in peaceful trade with the Orbit countries and may oppose a psychological attack because future economic relations may be considered more important than propaganda gains. It was also felt that a non-strategic trade offer at the present time might create confusion in the public mind of Western Europe regarding the importance attached to the strategic trade controls since some Western European Governments have not yet made public their policies regarding the control of strategic trade.

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Psychological Strategy Board (via PP/PP/PL)				DATE	
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